

Message Text

SECRET

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AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

S E C R E T STATE 229117

EXDIS

FOLLOWING REPEAT TEHRAN 8354 ACTION SECSTATE INFO CARACAS
AUGUST 31.

QUOTE S E C R E T TEHRAN 8354

EXDIS

PASS TREASURY

FOR COOPER AND SOLOMON FROM SULLIVAN

EO 11652: GDS
TAGS: ENRG, EFIN, VE, IR
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SUBJ: OPEC PRICES AND CURRENCY BASKET

REF: STATE 219928

1. DURING MEETING WITH COURT MINISTER HOVEYDA
AUGUST 31, I RAISED SUBJECT OF OPEC PRICES AND
CURRENCY BASKET AND RAN THROUGH POINTS CONTAINED

REFTEL. HOVEYDA IMMEDIATELY ASSURED ME:

(A) THERE WILL BE NO RPT NO EMERGENCY SESSION OF OPEC. NEXT MEETING WILL BE REGULARLY SCHEDULED DECEMBER MEETING. KUWAIT INITIATIVE FOR SPECIAL MEETING IS DEPLORED BY IRAN.

(B) IRAN HAS NO RPT NO INTENTION TO SHIFT TO SDR OR CURRENCY BASKET IN LIEU OF DOLLARS AS DENOMINATOR FOR OPEC OIL PRICES. INSTEAD, IRAN HOPES TO SEE DOLLAR STABILIZE. HOVEYDA POINTED TO JAHANGIR AMOUZEGAR'S PIECE IN THE JULY ISSUE OF FOREIGN AFFAIRS. HE SAID THAT REPRESENTED IRANIAN POLICY. HE PARTICULARLY WELCOMED OUR PREDICTIONS (REFTEL) FOR DECREASED 1979 CURRENT ACCOUNT DEFICIT.

(C) IRAN POSITION ON OPEC, BOTH NOW AND IN DECEMBER, WILL BE "PRETTY CLOSE" TO POSITION OF SAUDI ARABIA. HE FEELS THAT BETWEEN THEM, THESE TWO COUNTRIES CAN SET THE PATTERN FOR OPEC POLICY AS THEY DID LAST YEAR.

2. ALTHOUGH HOVEYDA STATEMENT CAN BE CONSIDERED AUTHORITATIVE REPRESENTATION OF SHAH'S VIEW AND HENCE THE OFFICIAL POSITION OF IRAN, I INTEND TO FOLLOW UP WITH MINISTER OF ECONOMY YEGANEH, WHO IS IRAN'S OFFICIAL REPRESENTATIVE IN OPEC. HOWEVER, I AM MOST RELUCTANT TO PERSUADE YEGANEH TO MAKE ANY STATEMENT TO THE PRESS BECAUSE HE HAS AN UNFORTUNATE INEPTITUDE IN HANDLING THE PRESS AND HIS ANSWERS TO JOURNALISTS USUALLY END
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UP AMBIGUOUSLY. REFTEL DOES NOT RPT NOT SPECIFICALLY REQUEST A PRESS STATEMENT AND SINCE YEGANEH WOULD BE THE IRANIAN OFFICIAL WHO WOULD HAVE TO MAKE SUCH A STATEMENT, I FEEL IT IS BETTER TO LET FACTS SEEP OUT FOR THEMSELVES.

3. AS I MENTIONED TO BOTH OF YOU DURING RECENT CONSULTATIONS IN WASHINGTON, I BELIEVE MARKET CONDITIONS WILL BE THE PRIME DETERMINANT OF THE IRANIAN POSITION IN DECEMBER OPEC MEETING. ON EXAMINATION OF MARKET FROM IRAN PERSPECTIVE, IT APPEARS THAT THERE IS HEAVIER THAN NORMAL LIFTING OF CRUDE FROM MIDDLE EAST FOR U.S. DESTINATIONS AT THIS MOMENT BECAUSE OF HEDGING AGAINST POTENTIAL U.S. IMPORT TAX ON MIDDLE EAST CRUDE. IF THIS TREND CONTINUES, IT COULD MAKE THE MARKET UNNATURALLY TIGHT WHEN THE DECEMBER OPEC MEETING TAKES PLACE. POLICY STATEMENTS OR ACTIONS BY U.S. OFFICIALS IN THE PERIOD BETWEEN NOW AND DECEMBER COULD THEREFORE HAVE A GREATER EFFECT ON POTENTIAL OIL PRICES. THE CURRENT ACCOUNT DEFICIT, AND THE VALUE OF THE DOLLAR THAN STATEMENTS OR ACTIONS BY OPEC NATIONS IN THAT SAME TIME FRAME.

SULLIVAN UNQUOTE CHRISTOPHER

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